



TO MARKET, TO MARKET  
How Envato became one of the  
world's largest creative hubs and  
online marketplaces

SUCCESS STORY

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here aren't too many startups on the planet who regularly make millionaires of its community members. Or who have doubled in user, traffic and revenue numbers consistently for the best part of a decade.

The story of Envato from a modest Flash design resource to a multi-site, multi-million dollar online heavy-hitter is the essence of startup success. In fact, as a case study, it should probably be taught in business school - except for the small fact that the journey of CEO and Co-founder Collis Ta'eed has been anything but text book.

Since its inception in 2006, Envato has boomed. Actually, you would have to say it has BOOMED. One and a half million active buyers, eight thriving marketplaces, 250 employees and over \$215 million paid out to authors to date – all born from an idea to start a business that could support the travel aspirations of Collis and his wife Cyan.

“When we started with FlashDen we had just got married and we had a lot of freelance clients. It was beginning to feel like a drag! Cyan said ‘let’s go travelling!’ I had always wanted to start a business and we had some ideas about how it would work, so we just thought – let’s go for it. Even though we had to keep freelancing for a long time to keep living as we built the company,” Collis recalls.

Since Envato launched FlashDen, its first digital marketplace that sells content created with Adobe Flash, the company has grown to include eight online marketplaces. There’s a good chance you’ve heard of at least one of them. The Largest of the Marketplaces is ThemeForest, which sells website themes and plug-ins. ThemeForest, is to digital creatives what Home Depot is to DIYers, The Envato Market also includes GraphicRiver, CodeCanyon, VideoGive, PhotoDune, 3DOcean, AudioJungle and ActiveDen (formerly FlashDen), while the broader Envato group is also home to freelance hub Studio and learning platform, Tuts+. Phew.



## EARLY DAYS OF ENVATO

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Collis credits their willingness to experiment with different promotional strategies and ‘guerrilla tactics’ as the reason for their early momentum with FlashDen.

“I had sold Flash before and knew people would buy stock Flash. But our first hurdle to get customers was actually having content to sell them. As a marketplace there is the whole chicken and egg problem – you need stuff to sell people and you need people to buy the stuff. We started by seeding the marketplace with content that we had made and sourced. We tried to buy our way in I guess, which is a typical sort of marketplace strategy,” Collis explains.

From the first day, Collis’s instincts appeared to be on the money, making their first sale on day one and growing to \$1,000 a week in revenue within four months. Seeding content in the places their target market were ‘hanging out’ was an important initial strategy, with the small Envato team of Collis, Cyan and Collis’s best friend, Jun Rung, exploiting the fact that their buyers and sellers were the same person.

“The people who were buying Flash were really just Flash designers – no one else knew how to use Flash. So we tried everything we could think of to reach them. Things like getting our content featured in design galleries, buying ads, social media traffic. Actually I got banned from a few social media sites for gaming them! We just tried everything to see what would stick and get that early fire going. It became a virtuous cycle – the more people we brought in the more stuff got made,” Collis says.



# STOP! IMPOSTER!

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Despite the fact that FlashDen grew to \$20k a week in sales within a year and Envato had begun expanding into other areas, Collis recalls that he suffered from a case of Imposter Syndrome in those early years – (something many young entrepreneurs and professionals would attest to).

As a Mathematics student Collis envied his roommate, Jun, who had chosen to study Design at university, eventually taking on a design degree in the evenings and working a café during the day. It was during these years that his passion for design really grew legs.

“I was in this really slow coffee shop, so I would spend my downtime reading design magazines - a pretty good set up for an aspiring designer! But I kept thinking: one day people will realise I’m not a designer, I’m just a refugee from Maths. Then, with Envato, for a long time it was ‘I’m not a real CEO.’ But these days I’ve come to peace with that one,” Collis says.

The fact that Collis has viewed each of his roles through a learner’s lens has also helped him keep it real, in terms of recognizing personally where his strengths and areas for improvement lay.

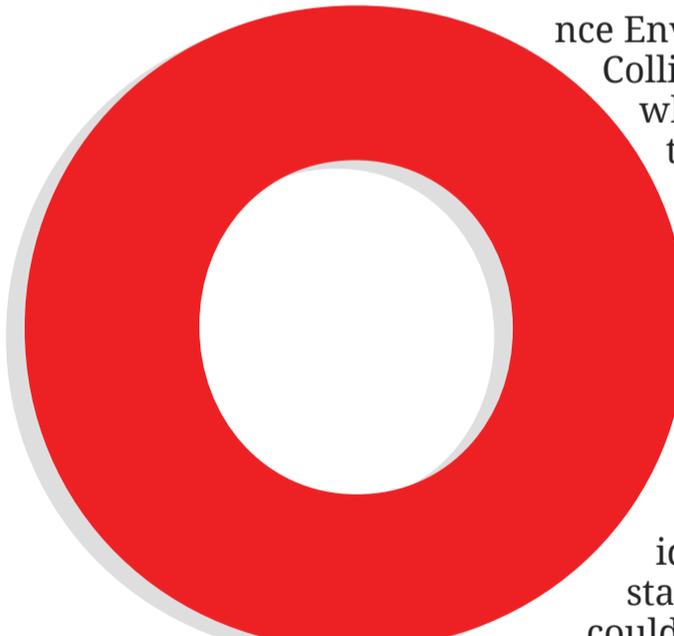
“I’m not a big believer in ‘fake it til you make it,’” he explains. “When you realise you don’t know something you need to actively try and learn what it is. When I was learning design I was a prodigious reader and consumer, always trying to improve my skills until I felt I had a legitimate place. It was the same with being a CEO. For a long time I was worried there were things I didn’t understand well enough, like how to lead or manage culture or finances. But I knew they were important enough to learn, so I did. “I look at my early years at Envato as being on my learner driver’s permit. You know when, legally, you can be on the road, but shouldn’t go too fast! Although these days I feel I’m closer to the full license.”





## IT'S EVOLUTION, BABY

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nce Envato had started to own their niche market with FlashDen, Collis and the team started exploring side projects, several of which have since become the heroes of their business. In 2008, they moved into audio via AudioJungle, which rapidly took flight, and shortly after ThemeForest was born.

During this time, Collis recalls that Envato began to develop its thirst for emerging and niche markets, spreading its wings – and its focus – across several different products and marketplaces.

“For some startups, it’s a good idea to keep focus in one area - probably more than we did. But I was always having ideas, so after spending a lot of time on FlashDen we then started thinking about how we could split the marketplace so it could serve multiple niches. It was a bit of a ‘land grab’. There was nobody really in these markets and we needed to establish presence quickly to corner the advantage.

It’s important to understand the specific opportunity you are in. For us it felt like there was a lot of opportunity for spreading horizontally, before starting to go deeper in each area. But not every industry is like that and there is a price you pay - the more you spread the thinner your resources are. We probably could have become profitable much sooner if we had just stuck to FlashDen, but then we also wouldn’t be around today.”

## GETTING THE RIGHT FIT

As a startup, Collis believes that if you can provide value, there's something you can sell, but it requires diligent market testing and a feedback loop to see which ideas or products have genuine legs.

“Community is an important part of Envato, so we have some very large, active forums. We hear feedback on every new feature direct from our sellers and buyers and we do surveying for different types of features, qualitative, quantitative and AB testing. Knowing when you have the right fit us has always been clear – it's when people start buying. That is one of the benefits of a business with revenue. What's trickier is if your business is much more intangible, like social media. To generate revenue you need to get massive traction, so you need different barometers for different types of businesses.

It's also important to know the difference between market fit and something you have forced into existence. For example, if you have bought so much traffic that some of it is converting, that's not the same as people flocking to your product and buying it. I would rather people came organically and bought less than us acquiring the traffic and people buying more. The former would indicate greater fit – because more people were going out of their way to find your product and give you money.

Think about spam emails – they operate on the principle that if you put something in front of enough people, some people will do surprising things! You just need to be wary that you don't accidentally make that mistake with a new business. Be realistic about the cost of achieving the fit you seem to be getting,” he explains.

## HANG ONTO YOUR BOOTSTRAPS

As their business was growing, as a bootstrap operation, Collis and co were also reinvesting heavily back into the business. Their level of commitment to growth was such that Collis and Cyan even shared a \$50k salary for several years, after business demands saw them phase out their sideline freelance work.

“Sure bootstrapping can be difficult, but I don't think we really understood the idea of raising capital or that it was really a thing. I just thought you were supposed to use your savings and make sure everything stays afloat!

“Startup culture back then was a little less fleshed out, these days there are incubators and things to help you, but a lot of those weren't around back in 2006-2007. There was more happening during the dot com era, and it was all quite flashy. But when it spectacularly failed things got a lot quieter for a while. It has come

a long way since then,” Collis explains.

For Envato, while it wasn't always easy, Collis believes he would probably still choose to operate as a bootstrapped startup as remaining in control has always been important.

“If you have capital you can probably make things better. But there's a trade-off – you have a different set of expectations and more things to balance. The act of getting capital can also be time and focus intensive, and if you're not careful you can overspend. The good thing about bootstrapping is that when you have very little money your culture starts in a really economic way, you're forced to think about your decisions. If you're flushed with capital it's easier to spend your way to size. There's good and bad to both! Certainly capital is a very viable, legitimate path. But for me, I never liked debt, or owing somebody something,” he says.



# THE HOLY TRINITY OF THINGS TO GET RIGHT

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FROM A LEARNINGS PERSPECTIVE, COLLIS BELIEVES IT COMES BACK TO RECOGNIZING WHAT YOU DON'T KNOW AND MAKING IT YOUR BUSINESS TO KNOW IT. HE IDENTIFIES THREE KEY AREAS WHICH REPRESENT HIS BIGGEST LEARNING CURVES IN BUSINESS:

## 1. NUMBER CRUNCHING

“Early on I didn’t take finance seriously enough. We did engage an accountant and a lawyer, but didn’t really understand the long-term ramifications of getting this right. Later on we had to do a lot of work to unwind some early decisions. For example, our website trades in American dollars, but as an Australian company we pay in Australian dollars. That got very complicated during the global recession when the dollar dropped! These things didn’t seem like a big deal when we set them up, but became a little troublesome later.

On the flipside, you never know if your business is going to be successful. So it’s easy for me to sit here and say, eight years on, that you should spend more money up front on legal and accounting. Maybe if we had spent more back then we wouldn’t have gotten off the ground!”

## 2. STRUCTURE

“I would also spend time on creating the structural aspects of your business. Especially with a global business - consider what you might want to do in future and the structure of your ownership, in case you bring other investors in later. It’s easy to think that it will just work out, but this stuff is serious and worth investing the time in.”

## 3. PEOPLE MANAGEMENT

“I have learned, and am still learning, a lot about management over the years. It was one thing I underestimated. If you are constantly bringing in different people you have to lead them and give them the things they need to develop and have a happy career in your company.

For a long time I didn’t really understand that it’s a good idea to talk to everybody, and often. Which seems obvious now! When you are six people in a room it’s much simpler in terms of communications. Talk to your staff, check in

with their goals and unblock things for them. Early on I was really focused on what I wanted us to accomplish, but, as a leader, I think a lot of your time should be spent on just clearing a path for your team to execute.

Also, in the early days, I think delegating for me was much more about giving directions. Now, as Envato has gotten bigger and the team more senior, I delegate better. Here’s the context, now how do we get there. And finally, flexibility. I used to believe the hours a person worked was really important, which is a bit of a trap. Results and outcomes are actually more significant - not just how busy someone looks.”

# JUMP IN, GET DIRTY

While recognizing that each business or industry is unique and therefore requires a customized approach, Collis's top level piece of advice for aspiring entrepreneurs is to simply jump in at ground level and try everything you can to get your business off the ground. Importantly, identifying your own yardsticks against which to measure successes and failures.

“You have to find out what works best for your business, but for us, SEO and search played a huge part in our growth. There's no silver bullet. But the core principle of trying lots of things, sitting down and thinking creatively about what might work, and also learning from successful competitors. It takes time, but if you're bootstrapping you should be using time and not money.

At a higher level for growth, always keep one eye on the next horizon. It's easy to be very involved in 'today's plan' but – if I look back to 2006 – if we had stayed on FlashDen it would have grown in much the way it did, which was into a multimillion dollar marketplace, but then it would have shrunk too. Envato has always had something on the boil for next year or the year after, and that's worked really well for us.”



**Kate White** is a writer who juggles freelance copywriting with a global comms role for an inventive IT crowd. An aspiring author, Kate balances being overly verbose in person with a knack for crafting punchy, direct pieces of content.



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THE FULL INTERVIEW**

**SUCCESS STORY**